The main items of the package relating to agriculture credit for the six districts of Vidarbha Region of Maharashtra are as follows:

(i) The entire interest on overdue loans as on 01.07.2006 will be waived in the six affected districts such that all farmers will have no past interest burden as on that date.

(ii) The overdue loans of the farmers as on 01.07.2006 will be rescheduled over a period of 3-5 years with a one year moratorium.

(iii) an additional credit flow of Rs. 1275 crores will be ensured in these six districts in 2006-07.

The Banks operating in Vidarbha Region have been advised to ensure that all the farmers loan accounts which are overdue on July 01, 2006 are rescheduled on the lines of the package and the interest thereon is waived. Besides, a Steering Committee of the State Level Banker's Committee (SLBC) is monitoring the progress of implementation of the package. District teams have also been constituted with representatives from NABARD, RBI and Banks to monitor the implementation of the package at the field level.

Financial Performance of Residuary Non-Banking Finance Companies

2650. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India has done any study/inquiry about functioning, deposit mobilization, investment, financial performance of major residuary Non-Banking companies recently;

(b) if so, the details thereof;

(c) whether any special audit has been undertaken;

(d) if so, the details thereof and the outcome thereof; and

(e) the steps being taken by Government to protect small investors?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Reserve Bank of India (RBI) have reported that they have not conducted any specific study regarding these aspects. However, RBI has been carrying out inspection of Residuary Non-Banking Companies (RNBCs) under RBI Act, 1934. During the course of inspection these aspects are examined.

(c) and (d) Special audit of the major RNBCs has been commissioned under powers available in RBI Act, 1934. The Special Audit of the two RNBCs, Peerless General Finance and Investment Company Ltd. (PGFIL) and Sahara India Financial Corporation Ltd. (SIFCL) were carried out by external auditors. The areas identified to be covered during the audit were broadly the system/organization in place for deposit mobilization and payment of commission, system for compliance with KYC guidelines for depositors and also agents, valuation of directed investment portfolio and assessment of quality of investments made, carrying value of the discretionary investment portfolio, contingent liability in respect of claims made by the Income Tax Department etc.

Findings of the Special Audit are as under:—

* the system of record keeping followed by the companies for deposit mobilization and the system of data management was found to be deficient.

* the KYC norms implementation by the companies needed improvement,

* a large number of appeals before Income Tax authorities were pending with regard to assessment of income tax,

* there was instances of unclaimed/unpaid, discontinued deposits in the companies,

* in respect of one of the companies there was transit time between the deposit mobilized by the collecting agent and its transfer to the company.

RBI has advised the companies to improve their system of record keeping, to adhere to the KYC, guidelines, to minimize the constraints/ concerns emerging out of the system of conducting business through the agent, stipulate rotation of partners of audit firms appointed for auditing the company, to maintain on and from April 1, 2006, not less than 95% of their aggregate deposit liability as investment in prescribed securities only and has also initiated the process of quarterly monitoring of the companies performance by meeting the managements and also discussing the issues with respect to the compliance of the observations brought to their notice and also findings of the inspection which was carried out by RBI with respect to the financial position of the companies as on March 31, 2005.

(e) In order to impart greater liquidity and safety to the investment of RNBCs, the investment pattern has been rationalised. RBI has issued fresh instructions on improvements in the functioning of RNBCs including transparency of operations, connected lending relationship, corporate governance standards, avoiding untenable rates of commission to agents, adherence to "Know Your Customer" norms, etc.

Information of irregularities in banks to RBI

†2651. SHRI JAI PARKASH AGGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has taken serious view on the cases of fraud, taking loans through unfair means, embezzlement and other various types of rackets in the banks and have issued guidelines to the banks to timely inform the RBI about such cases, prevent delay in reporting as well as laxity in the investigation;

(b) if so, the details thereof; and

(c) the details of the banks as on date which are complying or not complying with the guidelines issued by the RBI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As per RBI guidelines, banks are required to report all fraud cases involving Rs. 1 lakh and above but below Rs. 1 crore to Regional Offices of the Department of Banking Supervision, RBI under whose jurisdiction the Head Office of the concerned bank falls. Frauds involving Rs. 1 crore and above are required to be reported to the Central Office of RBI. Banks have been advised by RBI to file complaints with the police/CBI as applicable, examine staff accountability, initiate steps to recover the amount of loss, strengthen the systems and procedures to avoid recurrence of such frauds. RBI also advises banks from time to time about major fraud prone areas and the safeguards necessary for prevention of frauds. Banks are also advised by RBI, in confidence, names of unscrupulous borrowers and related parties who have perpetrated frauds in any bank along with modus operandi to enable them to exercise caution, introduce necessary safeguards by way of appropriate procedures and internal checks and make in-depth enquiries before granting/renewing any facility to them. As delay in reporting frauds and consequent delay in alerting Banks about the modus operandi and issue of caution advices against unscrupulous borrowers could result in similar

†Original notice of the question was received in Hindi.